



SHOP Exchange Technology Recommendation

April 10, 2012

Agenda

1. Overview of SHOP Requirements and Options
2. SHOP Request for Information (RFI) Summary
3. Recommended Approach
4. Next Steps

Background: Major Functions of the SHOP Exchange

On-Line Marketplace

- Qualified Health Plan intake from carriers for plan presentment
- Employer registration, plan design set-up, sales quote comparisons, and selection
- Employee registration, QHP selection, and enrollment (i.e. Shopping experience)
- Assist employees in finding individual coverage if employer coverage is not affordable

Back-Office Administration

- Premium aggregation and billing
- Carrier payment
- On-going eligibility / enrollment management (employee adds, deletes, life changes, etc.)
- Enrollment and funds flow reconciliation

Financial and Operations Oversight

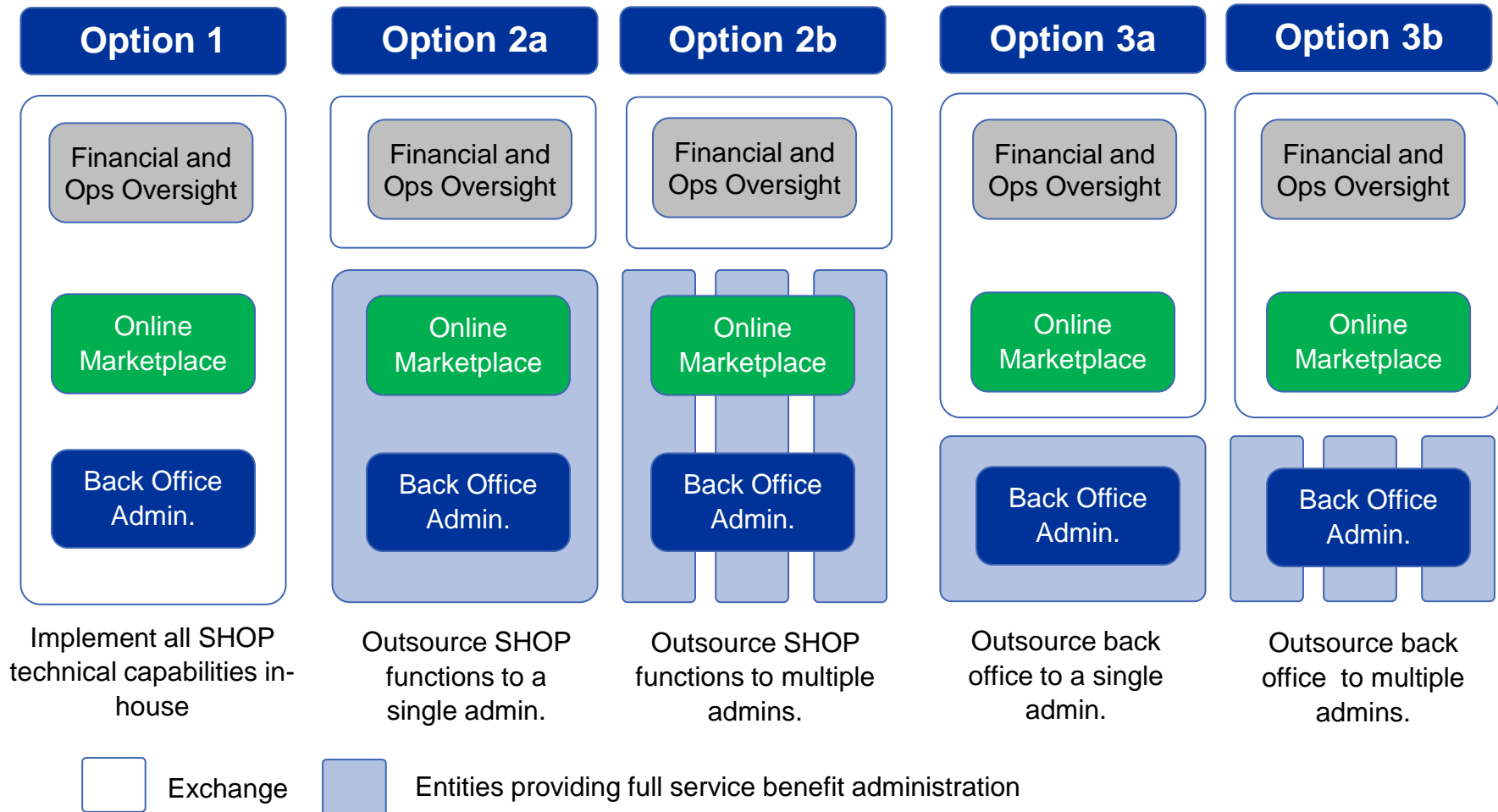
- QHP certification and carrier management
- QHP user fee collection and management
- Quality control and audits of enrollment and financial transactions through the SHOP
- Accounting & Management Reporting (Financial Statements / Management Reports / Stakeholder Reports / Statutory reporting to Federal Government) (see Appendix B)

Customer Service

- Call Center / Help Desk

Background: SHOP Technology Enablement Options

Three high-level options for SHOP technology implementation with variations for contracting with a single or multiple entities providing benefit administration services to the Small Group market were considered by the Exchange staff



SHOP Request for Information (RFI)









The SHOP RFI issued on March 20th asked respondents to evaluate SHOP options based on the following key objectives:

- Meets the requirements of the **Affordable Care Act (ACA)** as it pertains to SHOP set-up and management;
- Encourages small business to purchase coverage on the SHOP Exchange;
- Provides **minimum disruption** to the existing small group health insurance market in Maryland while promoting innovation;
- Leverages the knowledge and expertise of **current market players** (e.g. carriers, benefit administrators, etc.) for key technical and business functions;
- **Minimizes duplicative development effort** among Maryland stakeholder through the development of common service components that can be leveraged equitably by the broadest number of market players;
- Provides a SHOP solution that satisfies the needs of employers, employees, and health plans in an **efficient and consumer-friendly manner**;
- Ensures that operations are **transparent** and managed with **effective oversight** whereby the Exchange and the State of Maryland meet all their management oversight and fiduciary responsibilities to the state's small employer community.

SHOP RFI Results

The following were the key conclusions from the RFI responses:

- No option was considered a consensus “best approach”
- Different organizations favored different options with general alignment by role within the market

	Option 1	Option 2a	Option 2b	Option 3a	Option 3b
Consumer Groups					
General Agents and 3rd Party Administrators					
Insurance Carriers					



Consumer group response included 13 separate signing organizations

Other Planning Considerations

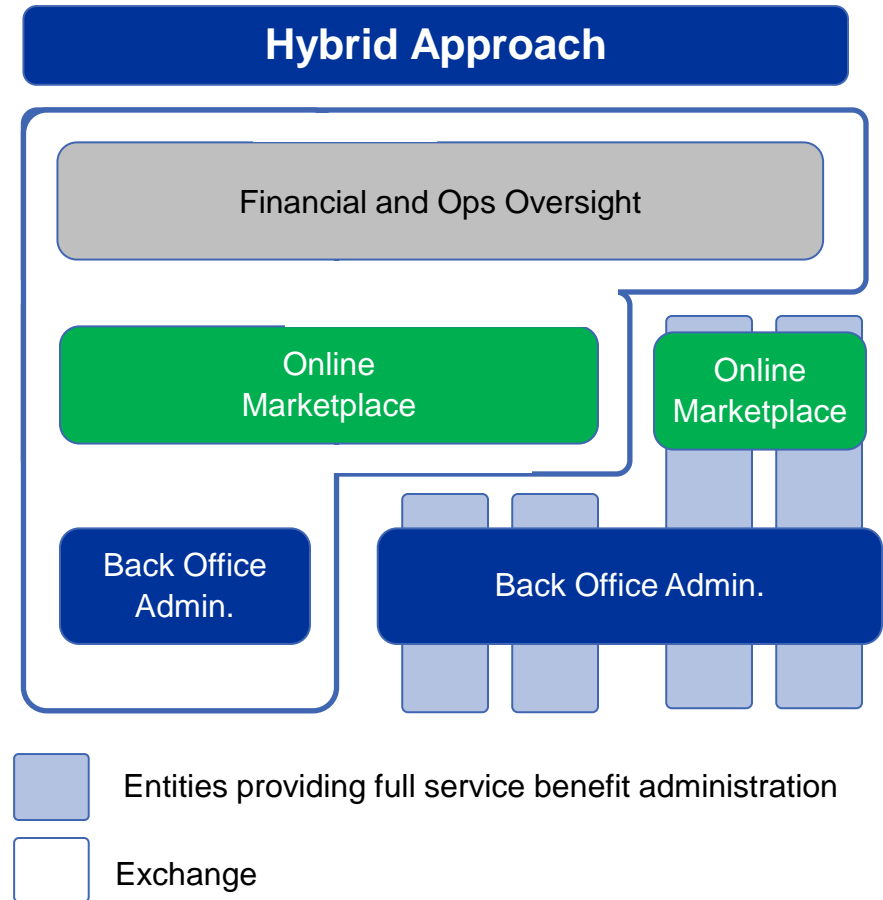
Additionally, the following other factors need to be considered:

- CMS/CCIIO Certification Requirements and Timeline
- Phase 1A Vendor's Capability, Approach and Cost for performing Phase 1B SHOP functions
- Synergies with Individual Exchange if we decide to manage premium billing and collections
 - *Premium Billing and Collection System*
 - *Merchant Banking account for Payment, Collections, Cash Flow Mgmt*
 - *General Ledger Accounting Interfaces*
 - *Financial Reconciliation Processes, Tools, and Reports*

SHOP Recommendation

The Exchange Staff recommends a hybrid approach with the following characteristics:

- The Exchange establishes an application / certification process for 3rd party entities to perform SHOP functions including:
 - Online Marketplace functionality
 - Back Office Administration functionality
- The Exchange proceeds with an Option 1 approach for the following purposes:
 - Platform for certification with CMS/CCIIO by January 1, 2013
 - Allows brokers and TPAs to be trained on the SHOP system and perform services on behalf of employers (e.g. plan set-up, plan rate comparisons, employee enrollment support)



Rationale for Recommendation

The hybrid approach provides the following advantages:

- Establishes a **transparent and equitable process** for TPAs and other entities with mature systems capabilities to provide SHOP online marketplace and back office administrative services
- **Creates choice for consumers** on how they want to shop for and administer SHOP QHPs
- **Allows employers to continue to use TPAs for “one stop shop”** bundled benefits (e.g. life, disability) and other back-office services (e.g. payroll)
- Allows **unaffiliated brokers** and TPAs to use Exchange-built SHOP technology to continue to serve their customers and to provide value-added services (e.g. eligibility management) to issuers
- Allows the State to have it’s own platform **for meeting CMS certification** requirements on an aggressive timetable and to have a fall back system during operations
- Decoupling of CMS certification with certification of 3rd parties to perform SHOP functions allows 3rd parties and the Exchange to **work on a more “relaxed” timetable**

Business Model for Certified 3rd Party Entities Providing Shop Services

The Exchange will publish a certification process that includes the following elements:

Program Description and Requirements

- Business Agreement
 - *Legal and financial terms and conditions*
 - *Operational Performance Metrics and Service Level Agreements*
- Certification Requirements
 - *Functional Capabilities (Plan Presentment, Billing, Financial Reconciliation, etc.)*
 - *Technical Requirements (Data Exchanges, Reporting, Interfaces, etc.)*
 - *Standards (Security, Privacy, Legal Requirements, etc.)*

Certification Process

- Application / Notice of Intent
- Certification Testing (including with CMS)

Operations

- SHOP services to employers and carriers
- Reporting and payments
- Audit and Reviews
- Metrics and Service Level Monitoring